



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
MARIA M. OMS

March 4, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **THE CHILDREN'S COLLECTIVE, INC. CONTRACT REVIEW – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER – FISCAL YEAR 2007-08**

We completed a program, fiscal and administrative contract compliance review of The Children's Collective, Inc. (Children's Collective or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Children's Collective, a private non-profit organization to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. Children's Collective's office is located in the Second District.

Children's Collective was compensated on a cost reimbursement basis and had a contract for \$101,571 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether Children's Collective complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Children's Collective met all the FY 2007-08 planned performance outcomes for the WIA Youth Program. The Agency also appropriately provided program services to eligible participants. However, the Agency did not obtain criminal record clearances for all three employees sampled as required.

In addition, Children's Collective billed CSS \$4,200 in questioned costs. Specifically, Children's Collective:

- Exceeded their FY 2006-07 WIA Youth Program budget by \$2,498. The County contract requires contractors to request reimbursement for actual expenditures incurred during the program year, not to exceed budgeted amounts.
- Did not maintain adequate documentation to support the program expenditures billed to CSS in FY 2006-07, totaling \$1,583.
- Billed CSS \$119 for unsupported payroll expenditures.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Children's Collective and CSS on November 13, 2008. In their attached response, Children's Collective concurred with our findings and recommendations except for the unsupported payroll expenditures. The Agency's response indicates that Children's Collective billed CSS for payroll expenditures based on an "allocation time study method" which reflects actual hours worked. However, the Agency did not provide a time study to support their allocation. In addition, the employee's timecard indicated that he did not work on the WIA Program during the month sampled. CSS will follow-up with the Agency on our recommendations.

Board of Supervisors
March 4, 2009
Page 3

We thank Children's Collective for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Department of Community and Senior Services
Jackie Kimbrough, Director of The Children's Collective, Inc.
Donald Kenneth Shelton, Chairperson, The Children's Collective, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
THE CHILDREN'S COLLECTIVE, INC.
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether The Children's Collective, Inc. (Children's Collective or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten (42%) of the 24 participants that received services from July 2007 through April 2008 for documentation to confirm their eligibility for WIA services.

Results

Generally, Children's Collective maintained appropriate documentation to support the eligibility of the ten participants sampled.

Recommendations

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for the ten (42%) participants that received services during July 2007 through April 2008. We also interviewed four participants/guardians.

Results

The four participants/guardians interviewed stated that the services they received met their expectations. In addition, Children's Collective provided the services in accordance with the County contract and WIA guidelines.

Recommendation

There are no recommendations for this section.

PERFORMANCE OUTCOMES REVIEW**Objective**

Determine whether Children's Collective met the planned performance outcomes as outlined in the County contract and accurately reported the performance outcomes to the Workforce Investment Board (WIB). The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes to the planned performance outcomes outlined in the County contract and to the program activities reported on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department (EDD) and the Department of Labor to track WIA participants' activities.

Results

Children's Collective met all their FY 2007-08 planned performance outcomes for the WIA Youth Program.

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's February 2008 bank reconciliation.

Results

Children's Collective maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 32 non-payroll expenditure transactions billed by the Agency for July 2008 and January 2008, totaling \$1,607.

Results

Generally, Children's Collective's expenditures were allowable, accurately billed to CSS and supported by documentation as required.

Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Children's Collective maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of the one item purchased with WIA funds, totaling \$740.

Results

Children's Collective used the item purchased with WIA funding for the WIA program. In addition, the item was adequately safeguarded. However, Children's Collective did not report the item to CSS as required by the County contract.

Recommendation

1. Children's Collective management ensure that equipment purchased with WIA funds are reported to CSS as required.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for two employees totaling \$4,469 for January 2008 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for three staff assigned to the WIA program.

Results

Children's Collective billed CSS \$119 in unsupported payroll expenditures for one employee during January 2008. The Agency indicated that they billed CSS based on a time study allocation method using productive work hours. However, the employee's timecard indicated that they did not work on the WIA Program during the month billed. A similar finding was also noted in the prior three years' monitoring reviews.

In addition, Children's Collective did not obtain criminal record clearances or conduct annual performance evaluations as required for all three employees sampled.

Recommendations**Children's Collective management:**

2. Repay CSS \$119.
3. Calculate the payroll expenditures for FY 2007-08 based on actual hours worked and repay CSS for any amounts unsupported and/or overbilled.
4. Bill CSS payroll expenditures based on actual hours worked.
5. Obtain criminal record clearances for all employees assigned to the WIA program.
6. Conduct annual performance evaluations as required.

COST ALLOCATION PLAN**Objective**

Determine whether Children's Collective's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July 2007 and January 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Children's Collective did not provide a copy of the Agency's FY 2007-08 Cost Allocation Plan for review. As such, we could not determine whether the Agency's Cost Allocation

Plan was prepared in compliance with the County contract or whether the Agency used the Plan to appropriately allocate shared program expenditures. As previously indicated, Children's Collective billed CSS payroll expenditures based on budgeted amounts and not actual expenditures. According to the Agency's prior year's Cost Allocation Plan and the County contract, personnel costs were to be charged directly to the programs based on the direct hours worked.

Recommendations

Children's Collective management:

Refer to Recommendation 4.

- 7. Provide a copy of the Agency's FY 2007-08 Cost Allocation Plan to CSS as required by the County contract.**

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced Children's Collective's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in FY 2006-07.

Results

Children's Collective's final close-out invoice reconciled to the Agency's financial records. However, Children's Collective exceeded the FY 2006-07 WIA Youth program budget by \$2,498. The County contract requires contractors to request for reimbursement for actual expenditures incurred during the program year, not to exceed budgeted amounts. In addition, Children's Collective did not maintain adequate documentation to support the program expenditures billed CSS in FY 2006-07. Unsupported expenditures totaled \$1,583. A similar finding was also noted during the prior three years' monitoring reviews.

Recommendations

Children's Collective management:

- 8. Repay CSS \$4,081.**

9. Ensure that amounts billed to CSS do not exceed budgeted amounts.
10. Maintain adequate documentation to support the program expenditures.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on February 6, 2008.

Results

The prior year's monitoring report contained seven recommendations. Children's Collective implemented three recommendations. As previously indicated, the findings related to recommendations 3, 4 and 10 contained in the report were also noted during the prior year's monitoring review. The remaining recommendation required the Agency to implement the outstanding recommendations from FY 2005-06 monitoring report. Children's Collective management stated that they will implement the outstanding recommendations immediately.

Recommendation

11. Children's Collective management implement the outstanding recommendations from FY 2005-06 monitoring report.



5870-C West Jefferson Boulevard
Los Angeles, California 90016
Tel: (310) 733-4388
Fax: (310) 733-4320

11/26/2008

Yoon Bae, CPA
Principal Accountant-Auditor
Department of Auditor-Controller
Countywide Contract Monitoring Division
Los Angeles World Trade Center
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Greetings Yoon,

In response to your audit report I present the following:

1. - FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of the one item purchased with WIA funds, totaling \$740.

Results

Children's Collective used the item purchased with WIA funding for the WIA program. In addition, the item was adequately safeguarded. However, Children's Collective did not report the equipment purchased in FY 2006-07, totaling \$740, to CSS as required by the County contract.

Recommendation

1. Children's Collective management ensure that equipment purchased with WIA funds are reported to CSS as required.

TCCI response:

The agency will assure that all equipment purchased with WIA funds will be reported to CSS as outlined in the funder's terms and conditions.

2. - PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for two employees totaling \$4,469 for January 2008 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for three staff assigned to the WIA program.

Results

Children's Collective billed CSS for payroll expenditures based on budgeted amounts not actual payroll expenditures as required by the County contract. The unsupported payroll expenditures totaled \$119. A similar finding was also noted in the prior three years' monitoring reviews.

In addition, Children's Collective did not obtain criminal record clearances or conduct annual performance evaluations as required for all three employees sampled.

Recommendations

Children's Collective management:

2. Repay CSS \$119.
3. Calculate the payroll expenditures for FY 2007-08 based on actual hours worked and repay CSS for any amounts unsupported and/or overbilled.
4. Bill CSS payroll expenditures based on actual hours worked and not budgeted amounts.
5. Obtain criminal record clearances for all employees assigned to the WIA program.
6. Conduct annual performance evaluations as required.

TCCI response:

2. TCCI does not bill based on budget we bill based on allocation time study allocation method and put that within the budget. When the budget is prepared we determine what amount of time the employee assigned to the program based on the program needs. That amount of time is then put into a percentage based on the standard 2,080 work year. It is expected that work productivity remains constant +/- a small anomalous percentage that we applied the practice through the employee's work day. The employee actually worked the hours that were billed to WIA.
3. See explanation #2
4. See explanation #2

5. The agency will assure that all employees assigned to the WIA program have the necessary criminal record clearance as outlined in the funder's terms and conditions.
6. The agency will assure that all employee performance evaluations are conducted annually as outlined in the funder's terms and conditions.

3. - COST ALLOCATION PLAN

Objective

Determine whether Children's Collective's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July 2007 and January 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Children's Collective did not provide a copy of the Agency's FY 2007-08 Cost Allocation Plan for review. As such, we could not determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract or whether the Agency used the plan to appropriately allocate shared program expenditures. As previously indicated, Children's Collective billed CSS payroll expenditures based on budgeted amounts and not actual expenditures. According to the Agency's prior year's Cost Allocation Plan and the County contract, personnel costs were to be charged directly to the programs based on the direct hours worked.

Recommendations

Children's Collective management:

Refer to Recommendation 4.

- 7. Provide a copy of the Agency's FY 2007-08 Cost Allocation Plan to CSS as required by the County contract.**

CSS management:

- 1. Obtain and review the Agency's FY 2007-08 Cost Allocation Plan for compliance with County contract requirements.**

TCCI response:

- 7. The agency will submit our cost allocation plan as outlined in the funder's terms and conditions.**

4. - CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced Children's Collective's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in FY 2006-07.

Results

Children's Collective's final close-out invoice reconciled to the Agency's financial records. However, Children's Collective exceeded the FY 2006-07 WIA Youth program budget by \$2,498. The County contract requires contractors to request for reimbursement for actual expenditures incurred during the program year, not to exceed budgeted amounts. In addition, Children's Collective did not maintain adequate documentation to support the program expenditures billed CSS in FY 2006-07. Unsupported expenditures totaled \$1,583. A similar finding was also noted during the prior three years' monitoring reviews.

Recommendations

Children's Collective management:

8. Repay CSS \$4,081.
9. Ensure that amounts billed to CSS do not exceed budgeted amounts.
10. Maintain adequate documentation to support the program expenditures.

TCCI response:

8. The agency understands the issue as outlined in the abovementioned results and will submit our cost allocation plan as outlined in the funder's terms and conditions.
9. The agency understands the issue as outlined in the abovementioned results and will make certain that expenditures stay within the approved budget as outlined in the funder's terms and conditions.
10. The agency understands the issue as outlined in the abovementioned results and will make certain that all expenditures are properly documented and adequately supported as outlined in the funder's terms and conditions.

5. - PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on February 6, 2008.

Results

The prior year's monitoring report contained seven recommendations. Children's Collective implemented three recommendations. As previously indicated, the findings related to recommendations 3, 4 and 10 contained in the report were also noted during the prior year's monitoring review. The remaining recommendation required the Agency to implement the outstanding recommendations from FY 2005-06 monitoring report. Children's Collective management stated that they will implement the outstanding recommendations by _____.

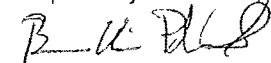
Recommendation

11. Children's Collective management implement the outstanding recommendations from FY 2005-06 monitoring report.

TCCI response:

11. The agency understands the issue as outlined in the abovementioned results and will make certain to immediately implement the remaining outstanding recommendations from the FY 05-06 monitoring report as outlined in the funder's terms and conditions.

Respectfully submitted,



Bruce Palmore
Controller